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July 3, 1996

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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Re: Southwestern Bell Telephone Company's (SWBT's) CEI Plan for Security Service (CC Docket Nos. 85-229, 90-623, 95-20)

Dear Mr. Caton:

The purpose of this letter is to include in the record in this proceeding SWBT's responses to questions raised by Commission staff. The attached diagram is useful for understanding the following discussion.

Under the Security Service referred to in its Comparably Efficient Interconnection (CEI) Plan, SWBT proposes to offer, install, and repair alarm detection Customer Premises Equipment (CPE), to act as a sales agent for a non-affiliated entity that will provide alarm monitoring service, and to bill/collect for both the CPE and non-affiliated alarm monitoring service provider's charges (in the latter case, in the same manner as SWBT performs these functions for IXCs today). SWBT intends to offer the customer the option to purchase (a) the SWBT Security Service system (i.e., installation of alarm detection CPE only) and (b) a SWBT Security Service system packaged with alarm monitoring service provided by the non-affiliated alarm monitoring entity for which SWBT will be acting as a sales agent. If a customer decides to purchase the CPE-only option (noted above), the customer will be free to contract with an alarm monitoring service provider of their choice. If the SWBT Security Service system and non-affiliated alarm monitoring service package is selected, the customer must separately contract with the alarm monitoring service provider(s) for which SWBT is acting as a sales agent. All associated correspondence and material (e.g., yard signs, window stickers, other customer collateral) will clearly identify the unaffiliated provider of the alarm monitoring service.

If a customer elects to purchase the alarm detection CPE only, SWBT will receive no sales commission from the alarm monitoring service provider. If a customer elects to purchase SWBT Security Service and the alarm monitoring service package, a recurring sales commission based on the sale of the service is envisioned. This commission

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structure is designed to compensate SWBT for advertising, marketing and otherwise selling the alarm monitoring service offered and provided by the non-affiliated entity.

The customer will sign two separate and distinct contracts upon purchase of the SWBT Security Service CPE and the non-affiliated alarm monitoring service. The first contract will outline SWBT's CPE installation and maintenance policy and will detail in that regard contractual obligations on the part of the consumer and SWBT. The second contract will communicate the alarm monitoring service provider's (s') liability, and will specify obligations to provide the service to the consumer. It will also reflect the means by which interexchange carrier facilities will be used by the provider for transmission of the alarm signal to the provider's alarm monitoring center.

If either SWBT and/or the non-affiliated alarm monitoring entity terminate the sales agency agreement, no party -- SWBT, the non-affiliated alarm monitoring entity, or the customer -- will be relieved of their respective responsibilities under the terms and conditions of the CPE and/or the non-affiliated alarm monitoring service contract(s). SWBT's obligations to the customer regarding CPE will remain; the alarm monitoring service provider's obligations to the customer regarding the service will also remain.

The Commission has recognized that a sales agent for a company that provides a service is not itself a provider of that service. For example, several of the Commission's CPE sales agency plan orders observed that the agents were to market "telephone company-provided" intrastate basic services.¹ In this regard, both the affiliate agents (the BOCs' CPE affiliates) and non-affiliate agents (those to whom the Commission required that the sales agency programs be extended) were generically referred to as "authorized agents."² None of these orders treated these authorized agents (whether affiliated or not) as also engaged in the provision of the tariffed services. For the same reason that these agents are not engaged in the provision of tariffed services, SWBT would not be engaged in the provision of alarm monitoring services in the context of its Security Service CEI Plan.

SWBT will enter into a sales agency contract only with a provider of integrity and with a demonstrated performance record. SWBT will also ensure that the contract contains suitable performance and other warranties, as is typical in commercial transactions. SWBT's intentions in these regards are based on the need to allow SWBT to disassociate

1

Sales Agency Order, 98 FCC 2d 943 (1984), para. 23; Reconsideration Order, FCC 85-582, released November 15, 1985 ("Recon Order"), para. 1; Sales Agency Plan of Southwestern Bell Telephone Company, Memorandum Opinion and Order, AAD 5-1297, released March 12, 1986, ("MO&O"), para. 1.

2

Recon Order, at paras. 27, 33, App. A, at para. 9.

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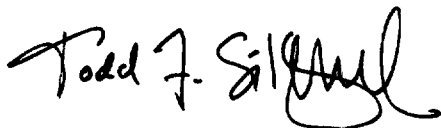
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itself, and its name and reputation, from the relationship if the non-affiliated alarm monitoring service provider should fail to perform its contractual obligations. The latter consideration is a worthy one given the standards for quality and reliability that SWBT's customers expect SWBT, and those with whom SWBT does business, to meet. In fact, this consideration is similar to the criteria for agent selection in SWBT's Commission-approved Sales Agency Plan, which includes the "applicants' financial and business stability."³ In no event, however, will SWBT have the unlimited right to control the customer account during the efficacy of the prohibition contained in Section 275. The non-affiliated alarm monitoring service provider will have complete customer control subject to the service contract between it and the alarm monitoring service customer.

SWBT has demonstrated that its Security Service equipment and non-affiliated alarm monitoring service sales agency arrangement fully complies with CEI Plan requirements and Section 275 of the Telecommunications Act of 1996. Accordingly, SWBT respectfully requests the Bureau's prompt approval of SWBT's Security Service CEI Plan so that SWBT may begin offering this service as soon as possible.

If there are any questions regarding the information provided in this letter, or other questions about SWBT's pending CEI plan, please feel free to contact me on 326-8888.

Sincerely,



Todd F. Silbergeld

Attachment

cc: Regina Keeney
Richard Metzger
Richard Welch
Carol Matthey
Claudia Pabo

SWBT Security Service Overview

